

SB

5

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 1.21.87 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCF

**FISCAL NOTE(S) ATTACHED 1 **
IN ACCORDANCE WITH AS 24.08.035
(see below)

1/19/87

DATE TURNED INTO OFFICE 3-19-87

Mr. President:

STATE AFFAIRS

Committee considered SB 5

establishing procedures to be followed when estimated state revenue will be insufficient to provide for appropriations during a fiscal year.

and recommended:

[] replace with CS _____ [] same title
[] attached amendment(s) and [] new title

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

further referral to Judiciary Comte

[] letter of intent adopted and attached

** Committee attached or [] adopted fiscal note(s)
 zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

MacDonald & Gadsden
Gov. Parks needs constitutional
William Henry examination
Gov. Joseph - needs examination in
Judiciary Committee and possible
constitutional amendment.
Rich/Leahy/NO REC

Don Milligan

Chairman's signature and recommendation

[] Committee Backup Attached

Too complex and rigid. Need
simpler legislative involvement
in revenue shortfalls. Sent to JACOM
JACOM

Alaska State Legislature

INTERIM OFFICE
1024 WEST SIXTH AVENUE
ANCHORAGE, ALASKA 99501
(907) 274-2843

IN SESSION:
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4714



Senator Mitch Abood
CHAIRMAN

Senate Committee on State Affairs

MEMORANDUM

TO: Senator Mitch Abood, Chairman
Senate Committee on State Affairs

FROM: Committee Staff

DATE: January 27, 1987

SUBJECT: Drafting error on SB 5, "An Act establishing procedures to be followed when estimated state revenue will be insufficient to provide for appropriations during a fiscal year."

There is an incorrect reference to a subsection which appears in SB 5.

Page 1, line 15 after 'under', delete 'AS 37.07.105(d)', insert 'AS 37.07.105(e)'.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

Senate State Affairs
January 28, 1987

8
STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version : SB 5
Publish Date : _____

Revision Date: _____
Title: An Act establishing procedures to be ...
estimated state revenue...insufficient...
Sponsor: Sen. Jack Coghill
Requestor: Senate State Affairs

Agency Affected: Legislative Affairs Agency
BRU: Legislative Council
Components : Session Expenses

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

No additional funds anticipated if a special session was called for a period of 2-3 days. Hopefully the Session Expenses component would have approximately \$40-50,000 to cover a 2-3 day session. If a special session was lengthy and costly, then a supplemental would need to be appropriated to cover those costs.

Prepared by: Pamela A. Stoops, Manager
Division: Administrative Services
Approved by: Warren W. Endicott
Agency: Legislative Affairs Agency

Phone: 465-3850
Date: 01/26/87
Date: 1/26/87

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET

DIVISION OF POLICY

P.O. BOX AD
JUNEAU, ALASKA 99811
PHONE: (907) 465-3568

March 16, 1987

The Honorable Mitch Abood
Chairman, Senate State Affairs
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Abood:

SUBJECT: SB 5, "Establishing procedures to be followed..."

Senate Bill 5 establishes procedures to be followed when estimated State revenue will be insufficient to provide for appropriations during a fiscal year.

It is easy to recognize and be sympathetic with the concerns which prompted the introduction of Senate Bill 5. However, the bill itself, as drafted, raises problems of flexibility and time limits in which action has to be taken.

The following discussion points out those problems vividly. If the bill had been in effect during this fiscal year, the following would have occurred when the prior administration recognized that would be a \$600 to \$900 million deficit:

- (1) The bill sets aside any restrictions on capital projects appropriations, about \$337 million for FY 87;
- (2) The bill sets aside any restrictions on municipal grants, about \$150 million for FY 87;
- (3) With approximately \$1,206.9 million left in revenues and non-excluded appropriations totalling over \$2,092.5 million, a pro rata

across-the-board restriction of about 42% would have been made, with no differentiation among agencies or priorities;

- (4) The 42% restriction would have impacted . . . general obligation bond debt, school debt retirement, education foundation formula, municipal assistance, revenue sharing, and operating agencies, such as Public Safety, Corrections, and Health & Social Services whose services may be critical to public health and safety.

In essence, the bill sets up two classes of appropriations, with CIP/municipal grants having a "sacredness" not given to other State obligations. This approach fails to take into consideration the State's legal obligations, such as general obligation debt, and the criticalness of entitlement programs, for example, to individuals' wellbeing. Across-the-board restrictions, like across-the-board reductions, are not prudent. Some government functions are, in fact, more critical than others. Thus, the bill, if implemented under the terms of the fiscal emergency of last fall, would have had severe and unanticipated consequences.

Further, the bill then provides the release of the restrictions on the 15th day of the first regular session that occurs after the effective date of the restrictions order. That automatic release ignores the reality that both revenues and immediate cash flow might not be then available -- as they were not available this January.

Also, the bill does not consider what cash reserves are on hand for the Governor to use in an emergency of this nature, and what flexibility does he/she have in case of an emergency. The budget reserve bill passed last session set up procedures which make it difficult to deal with a true emergency. Given the roller coaster rise-and-fall of oil revenues, it seems that more flexibility rather than less will provide best for the State's stability.

The other sections of the bill speak to the Legislature's ability to call itself into session -- an ability which already exists, although it was not exercised last fall. If the committee wishes to

March 16, 1987

proceed further with this legislation, it may want to investigate an automatic call into session 15 or 30 days after a governor has issued an executive order restricting or reducing general fund appropriations due to revenue shortfalls.

Thank you for this opportunity to comment on the proposed legislation.

Sincerely,

MARY HALLORAN

Mary Halloran
Director

MH/dmc/87D-281

cc: Senator Jack Coghill
Alaska State Legislature

George Sullivan, Legislative Lobbyist
Bob Evans, Legislative Assistant
Office of the Governor

Senator John B. (Jack) Coghill
Alaska State Legislature

Pouch V
Juneau, Alaska 99811
(907) 465-4921

Box 55028
North Pole, Alaska 99705
(907) 488-0862



January 24, 1987

TO: Members of the Senate
State Affairs Committee

FROM: Senator Jack Coghill

RE: SB 5, "An Act establishing procedures to be followed when
when estimated state revenue will be insufficient to
provide for appropriations during a fiscal year."

I believe it is the legislature's job to react to revenue problems. Article IX, Sect. 13 of the Constitution gives total and absolute power of expenditure of state funds to the legislature. As the representatives closest to the people, we must look after their welfare. If we as members do not react to severe downturns of the economy we are not fulfilling our mandated role.

To safeguard that mandate, this bill sets up additional procedures under the Executive Budget Act and under Title 24 regarding special sessions.

I was greatly dismayed this past interim about how the budget shortfalls were handled by the executive branch. It is my intent through this legislation to prevent the usurpation of legislative powers by any future executive officer.

While the executive branch should have the flexibility to deal with budget shortfalls, this power must have limits. I believe this bill will achieve that goal.

As we have witnessed, the executive did not evenhandedly apply budget reductions between the agencies. This bill requires that the executive apply the cuts equally to each agency, and direct legislative appropriations are left untouched. It is my belief that the executive should not have control over projects that solely emanate from the legislature.

These provisions will prevent the executive from the serious danger of rewriting the budget to promote its own spending priorities.

The executive must also inform the presiding officers of both houses if state revenues experience a 10 percent shortfall. If this occurs, the presiding officers must conduct a poll of their respective members regarding a special session.

I would appreciate your due consideration of this legislation.